

Debt Overview & Capital Improvement Program For Years 2014 – 2018

Capital Program found on pages D1 – D50 in budget book

Presentation to Ways and Means/Budget Committee
September 9, 2013

Agenda

- Review of Key Terms
- Debt Service Statistics and 2014 Budget
- Recent Capital Program Progress
- 2014 – 2018 Capital Improvement Program
- Utility Rates
- Conclusion

Review of Key Terms

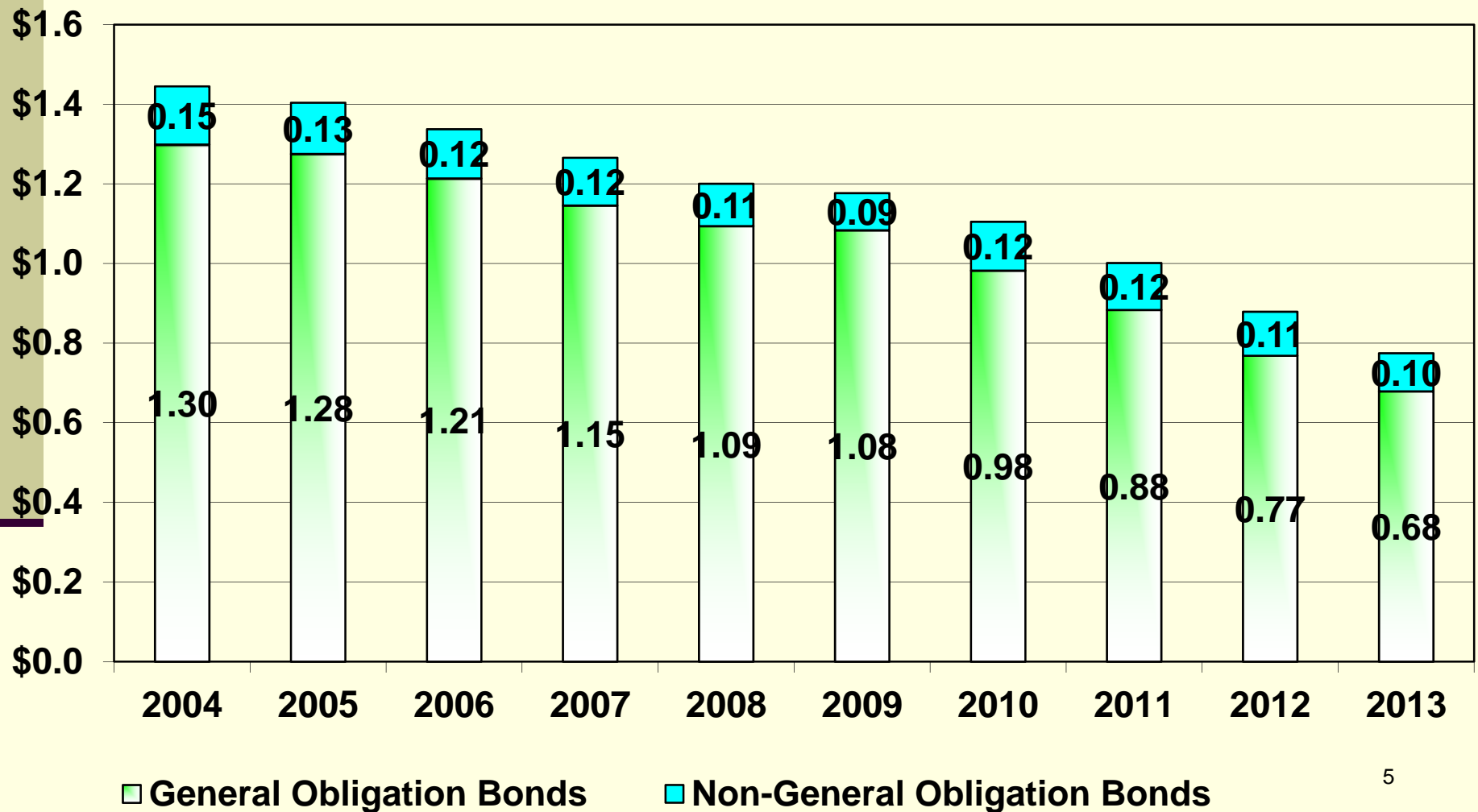
- **Debt Service:** Refers to payments required for principal and interest on outstanding bonds.
- **Net Debt Bonds:** General Obligation property tax supported bonds issued to finance general infrastructure improvements.
- **Bond Redemption Levy:** A dedicated tax levy used for payment of principal and interest on property tax supported bonds (net debt).

City Debt Capacity

- GO Debt Capacity is determined by State Statute and policymaker's willingness to tax and raise fees to ensure adequate debt service coverage
- Net Debt is subject to a Legal Debt Margin of 3.33% of Assessed Market Value as adjusted
- For 2013, legal debt margin was \$1.13 B and usage was \$.15 B, leaving \$.98 B of available capacity
- In the last several years, we have made great strides in improving our "capacity to pay" by paying off debt.

Outstanding Debt Year Ending 2004 to 2013

(in billions)

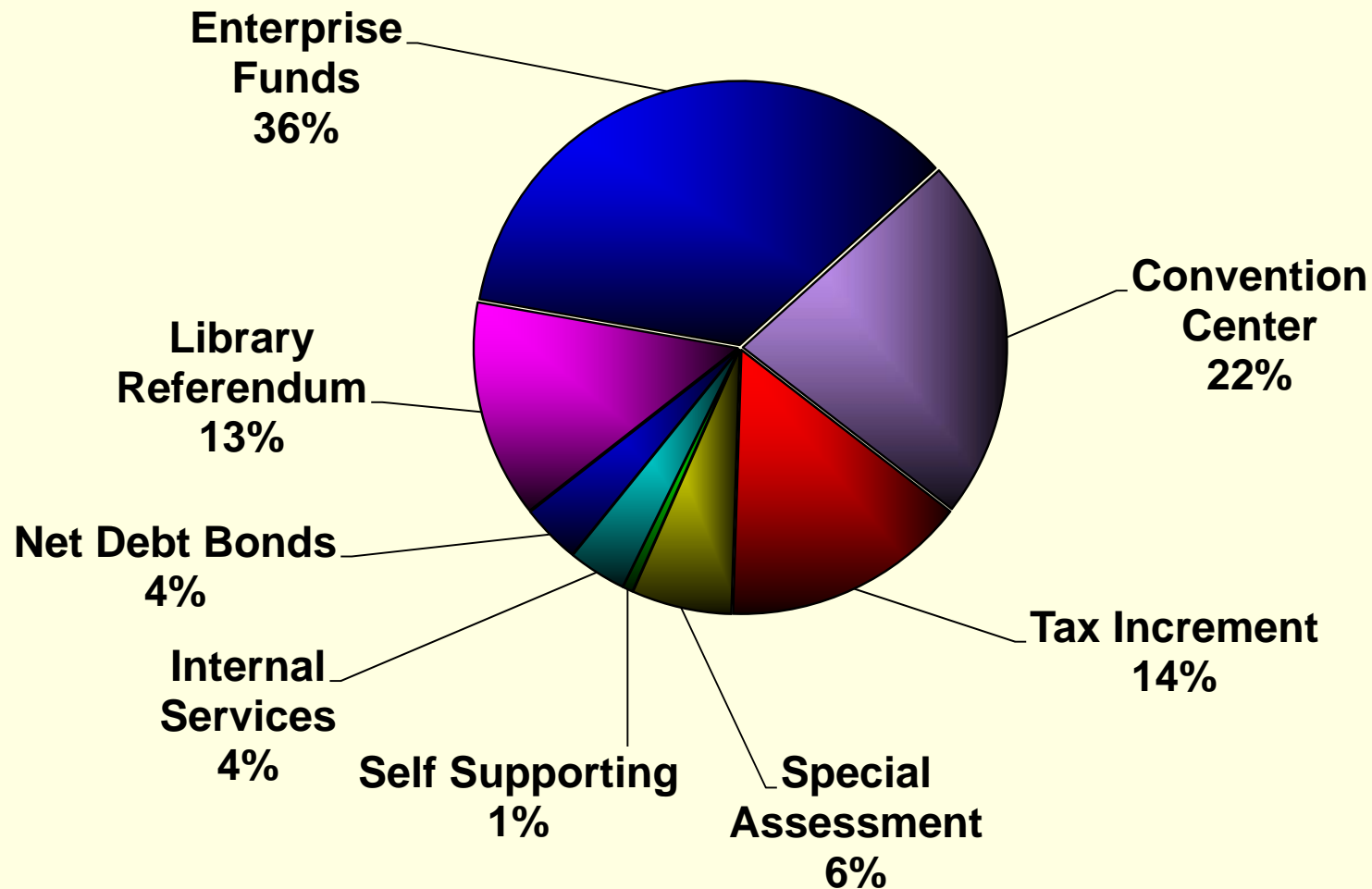


12/31/2013 GO Debt Outstanding

Debt Type with 2004 Peak Debt Balances*		12/31/13 Balances	Change from 2004
Enterprise Funds -	\$407.28 M	\$241.22 M	(\$166.06) M
Convention Center -	\$244.09 M	\$150.50 M	(\$93.59) M
Tax Increment -	\$206.31 M	\$102.00 M	(\$104.31) M
Special Assessment -	\$49.30 M	\$41.48 M	(\$7.82) M
Other Self Supporting - Prk Bd	\$22.70 M	\$4.32 M	(\$18.38) M
Internal Service Funds -	\$101.16 M	\$24.22 M	(\$76.94) M
Library Referendum -	\$93.40 M	\$90.48 M	(\$2.92) M
Net Debt Bonds -	\$56.85 M	\$24.63 M	(\$32.22) M
Pension -	\$117.87 M	\$0.00 M	(\$117.87) M
Total GO 2004 vs 2013	\$1,298.96 M	\$678.85 M	(\$620.11) M
* Peak GO Debt in 2004, 1996 was \$766 M			

Outstanding Principal @ 12/31/13

\$678.85 M



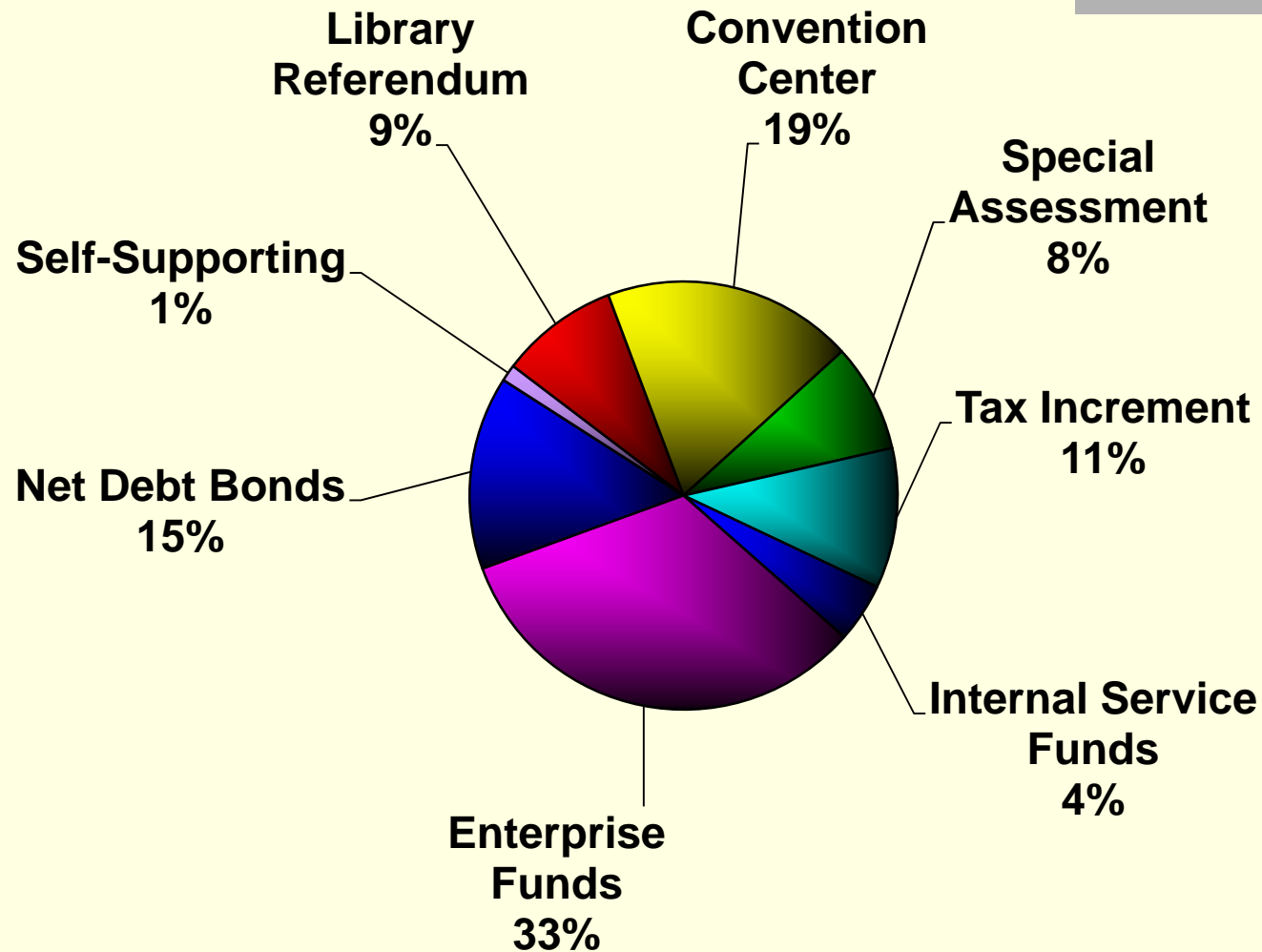
2014 Debt Service Budget

(Based on 12/31/13 Debt Outstanding)

Debt Type	Principal	Interest	Total
Enterprise Funds	\$22.01 M	\$10.76 M	\$32.77 M
Convention Center	\$14.20 M	\$4.66 M	\$18.86 M
Net Debt Bonds	\$13.83 M	\$.72 M	\$14.55 M
Tax Increment	\$6.35 M	\$4.19 M	\$10.54 M
Library Referendum	\$6.55 M	\$2.35 M	\$8.90 M
Special Assessment	\$6.82 M	\$1.32 M	\$8.14 M
Internal Services	\$3.70 M	\$.75 M	\$ 4.45 M
Self Supporting	\$.86 M	\$.40 M	\$1.26 M
Total Debt Service Budget	\$74.32 M	\$25.15 M	\$99.47 M
	75% Principal	25% Interest	

2014 Debt Service Budget

\$99.47 M

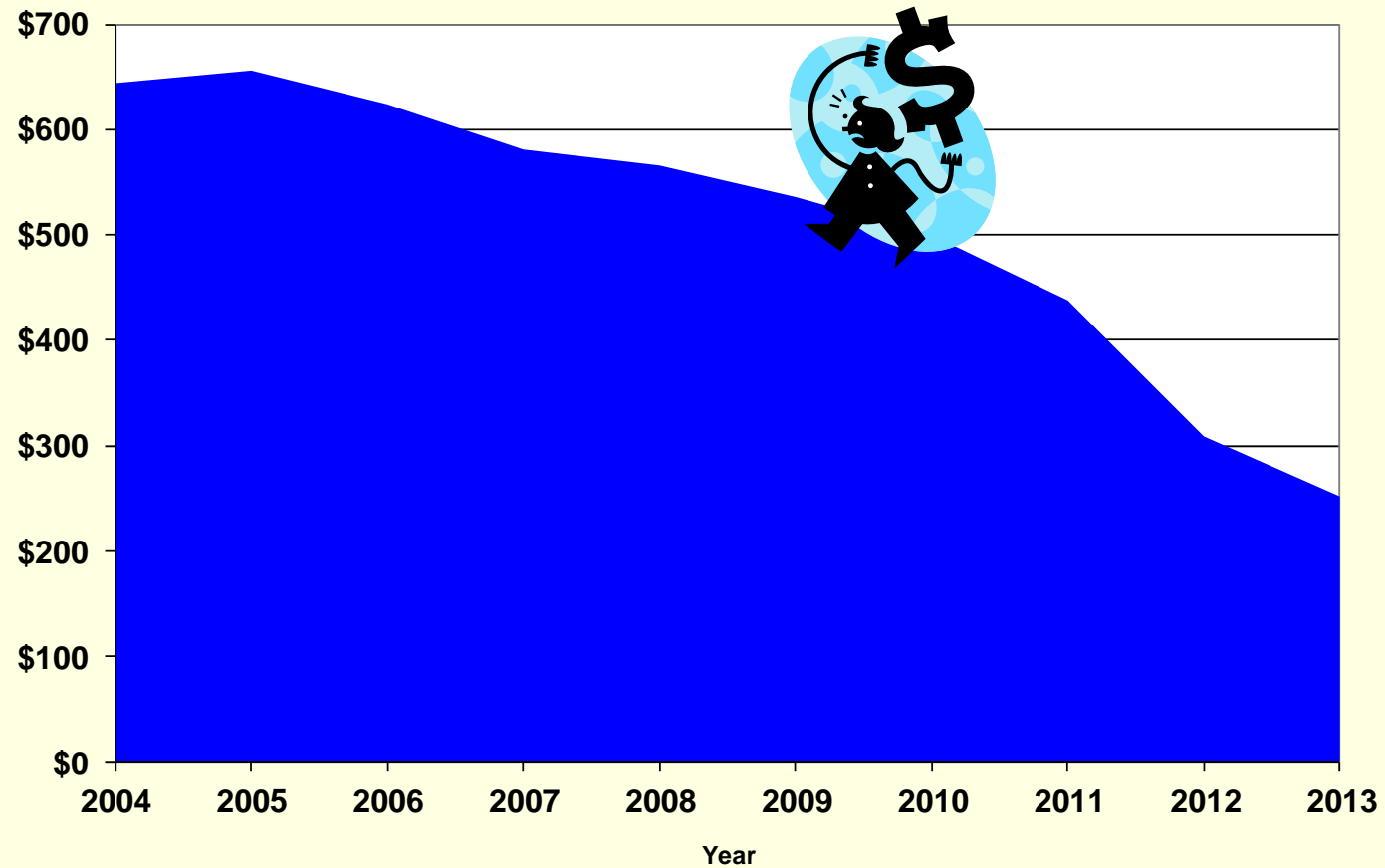


2011 – 2014 Budgeted Interest Expense Comparison

Debt Type	2011	2012	2013	2014
Enterprise Funds	\$13.50 M	\$13.26 M	\$11.73 M	\$10.76 M
Convention Center	\$8.48 M	\$5.58 M	\$5.03 M	\$4.66 M
Tax increment	\$5.66 M	\$5.19 M	\$4.47 M	\$4.20 M
Library Referendum	\$5.01 M	\$3.52 M	\$2.57 M	\$2.35 M
Special Assessment	\$1.74 M	\$1.75 M	\$1.54 M	\$1.32 M
Net Debt Bonds	\$1.48 M	\$1.30 M	\$1.13 M	\$0.72 M
Internal Services	\$1.70 M	\$1.32 M	\$0.89 M	\$0.75 M
Self Supporting	\$0.51 M	\$0.48 M	\$0.43 M	\$0.39 M
Pension	\$4.55 M	\$2.75 M	\$0.00	\$0.00
Total Interest Expense Budget	\$42.63 M	\$35.15 M	\$27.79 M	\$25.15 M
Ave Interest Rate on Portfolio	4.34 %	3.98 %	3.59 %	3.67 %

City of Minneapolis

Property Supported Debt Per Capita Debt (in dollars) 2004-2013



2013 Current Refunding Transactions

November Refunding Bond Sale??

Type of Debt Refunded	Bond Call Amount*	Estimated Interest Savings from refunding**
2005 Library Referendum Bonds (2014 – 2025) * After prepayment of \$2,225,000 on 12/1/2013 ** Large savings from reducing structure to 2018	\$18,500,000	\$3,366,000
2005 Improvement Bonds (2014 – 2025)	\$2,000,000	\$75,000
Totals	\$20,500,000	\$3,441,000

Variable Rate Debt

- Current Variable Rate Debt = \$43.47 M ~ 6% of GO Debt.
- All variable rate debt is held by US Bank and resets monthly based on the 1 month LIBOR Index plus a spread.
- Recent rates have been around .59%.
- This debt is primarily Parking Ramp related and has helped with the financial performance of the Parking fund due to the low rates experienced.

Capital Program Progress

- Before and after pictures of recent capital projects as provided by my friends in the MBC, CPED and Public Works Department.
- Special thanks to Mary Altman from CPED, Igor Melamed from MBC and Gayle Litchy from Public Works Transportation Planning & Engineering Division.

Intersection of Broadway/Penn Ave Before Art Improvement



Intersection of Broadway/Penn Ave After “Blossoms of Hope”



Hiawatha Yard Sound Walls

Before Art Improvement



Hiawatha Yard after “En Avant”

Named after City Seal



MBC02 Mechanical Systems Upgrade City Hall – before pictures



MBC02 Mechanical Systems Upgrade City Hall – before pictures



MBC02 Mechanical Systems Upgrade City Hall – before pictures



MBC02 Mechanical Systems Upgrade City Hall – before pictures



MBC02 Mechanical Systems Upgrade City Hall – moving parts in



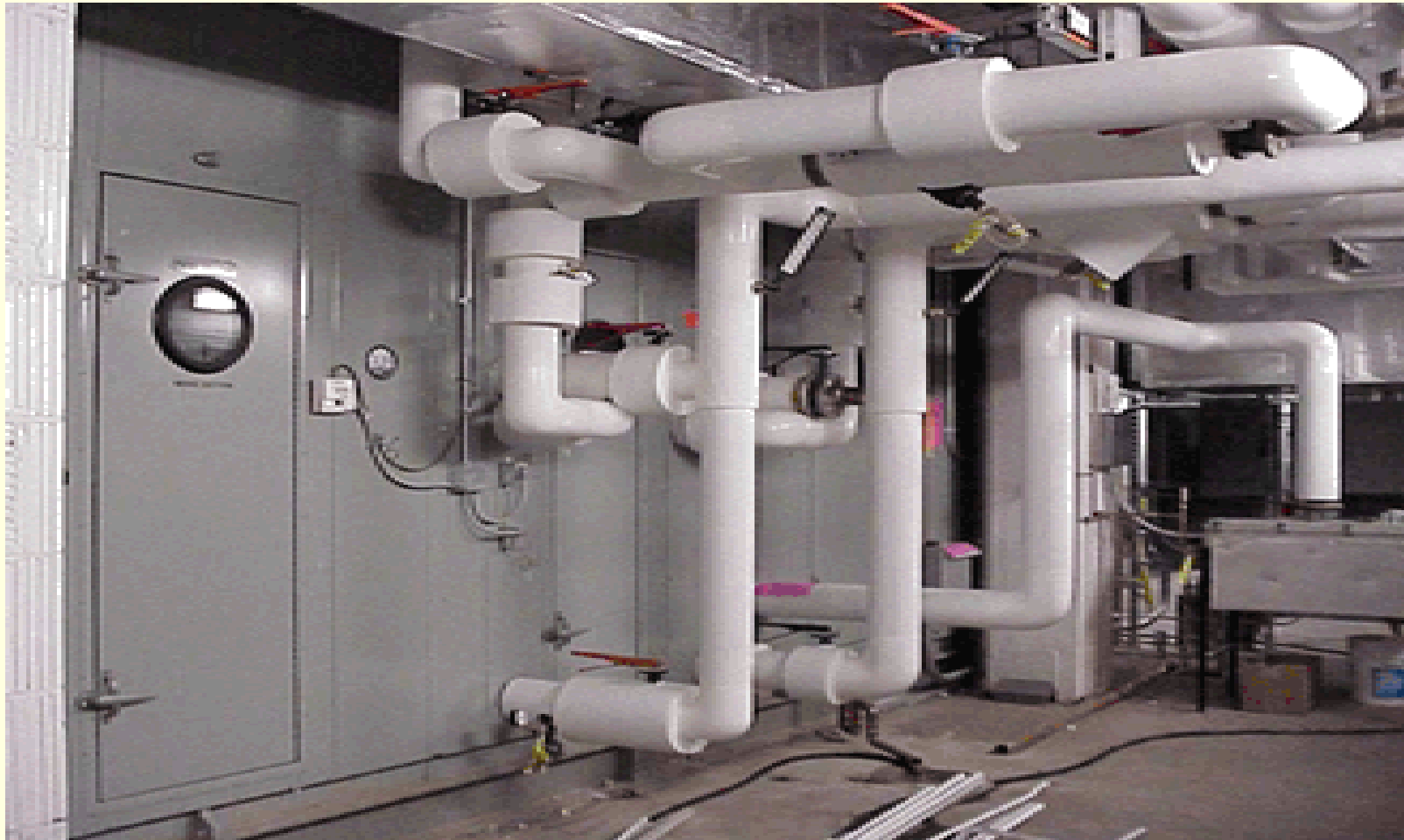
MBC02 Mechanical Systems Upgrade

Energy Wheel Installation



MBC02 Mechanical Systems Upgrade

Energy Wheel Installation



PV038 Winter St NE Before Construction



PV038 Winter St NE Before Construction



PV038 Winter St NE Before Construction



PV038 Winter St NE During Construction 2013



PV038 Winter St NE During Construction 2013



PV057 Nicollet Ave (Lake to 40th St E) Before Construction in 2013



PV057 Nicollet Ave (Lake to 40th St E) Before Construction in 2013



PV057 Nicollet Ave (Lake to 40th St E) During Construction in 2013



PV057 Nicollet Ave (Lake to 40th St E) During Construction in 2013



PV057 Nicollet Ave (Lake to 40th St E) During Construction in 2013



Cooper Resurfacing After



Cavell Park Before



Cavell Park Construction



Cavell Park After



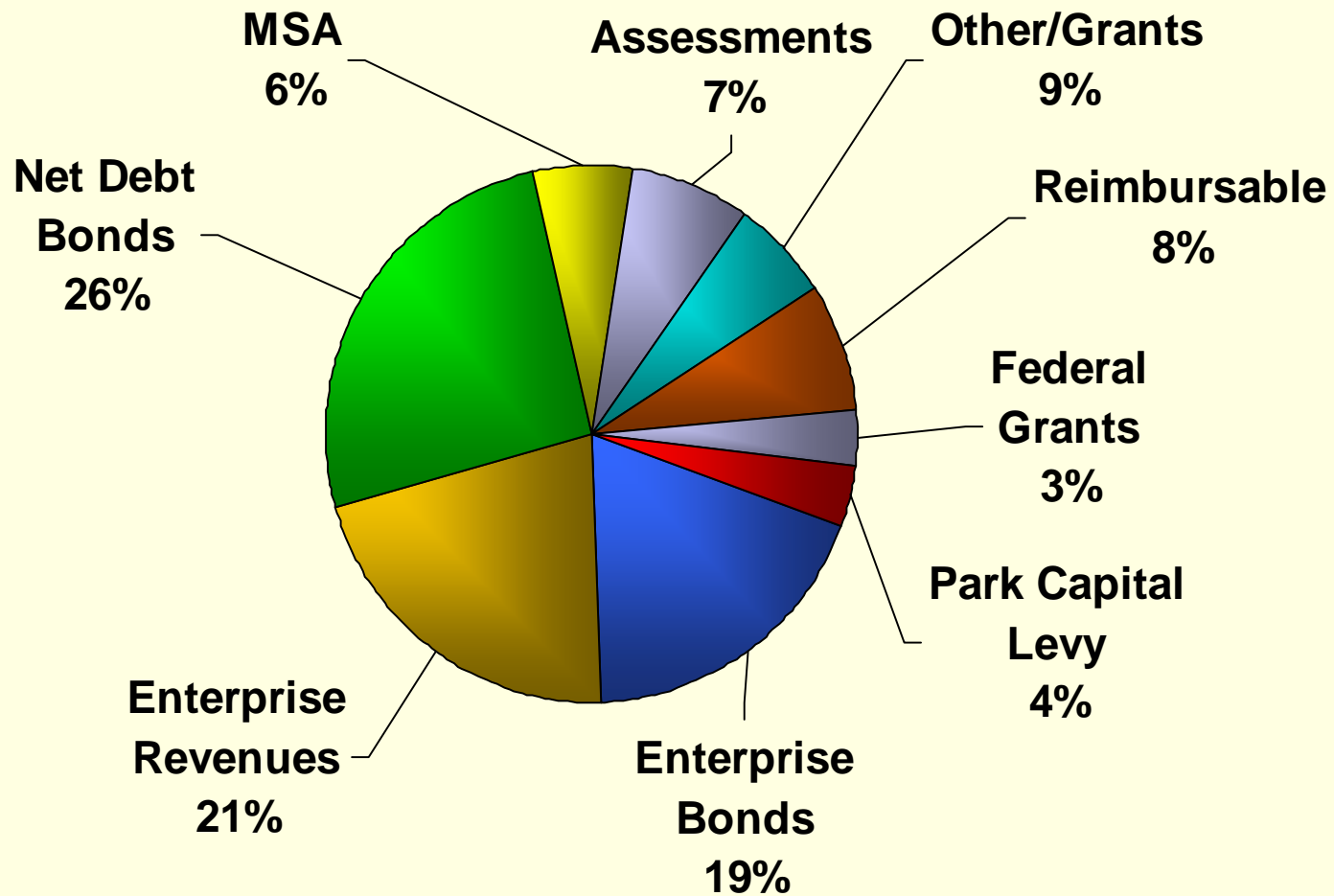
Mayor's Recommended 2014 - 2018 Five-Year Capital Investment Allocation \$593.4 M – pg. D15

Commission/Board/Department	5-Year Funding	% Total
Municipal Building Commission	\$4.61 M	.8%
Park Board	\$26.81 M	4.5%
Public Works	\$514.39 M	86.7%
Information Technology Projects	\$10.65 M	1.8%
Public Grounds & Facilities	\$26.82 M	4.5%
Miscellaneous Projects	\$10.15 M	1.7%
Total	\$593.43 M	100.0%



Funding Sources for Five-Year Capital Program

\$593.4 M – pg. D16



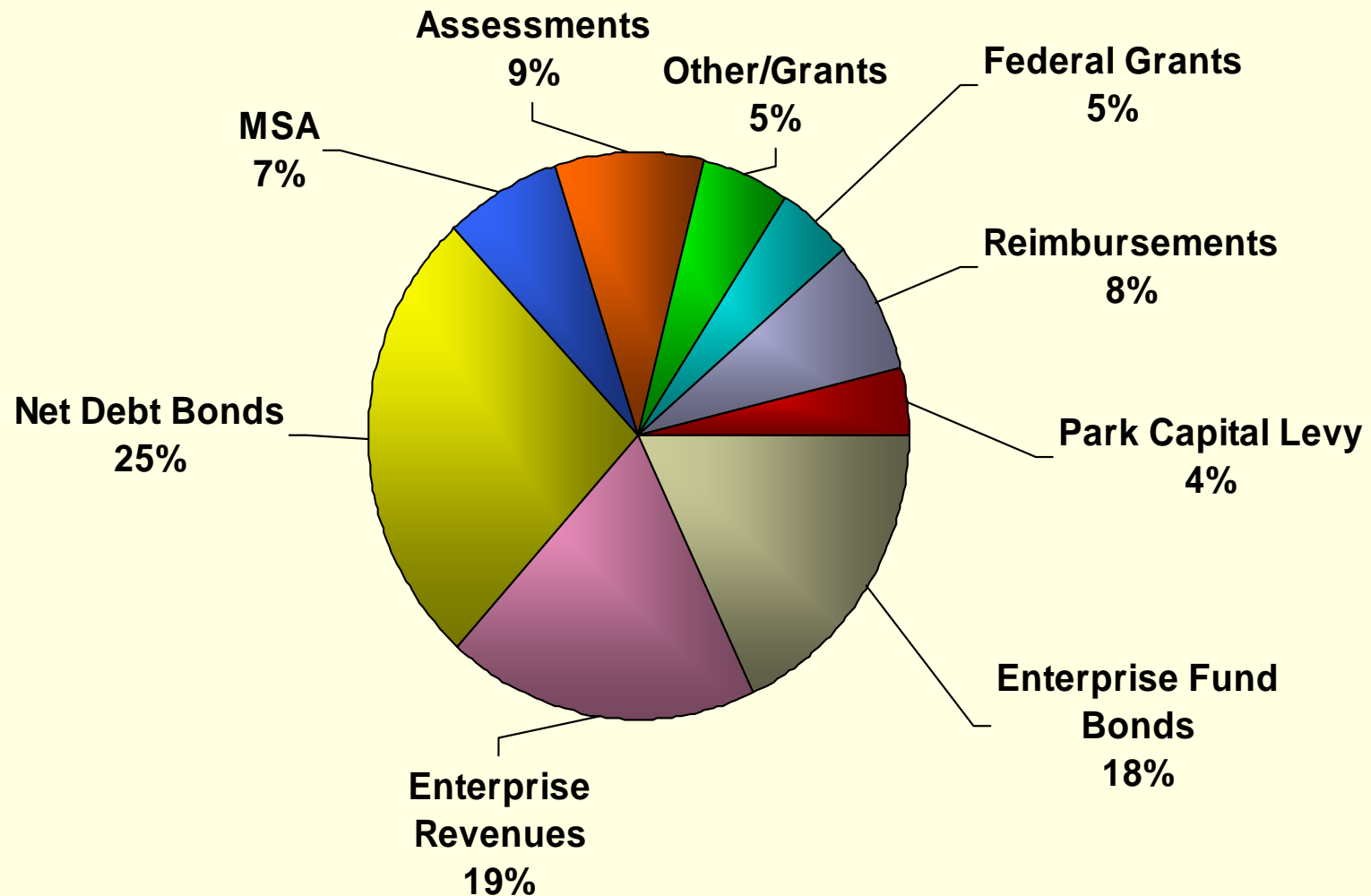
Mayor's Recommended 2014 Capital Investment Allocation \$120.6 M - pg. D15

Commission/Board/Department	2014 Funding	% Total
Municipal Building Commission	\$1.0 M	.8%
Park Board	\$6.0 M	5.0%
Public Works	\$105.8 M	87.7%
Information Technology Projects	\$2.0 M	1.7%
Public Grounds & Facilities	\$4.1 M	3.4%
Miscellaneous Projects	\$1.7 M	1.4%
Total	\$120.6 M	100.0%



Funding Sources for 2014 Capital Program

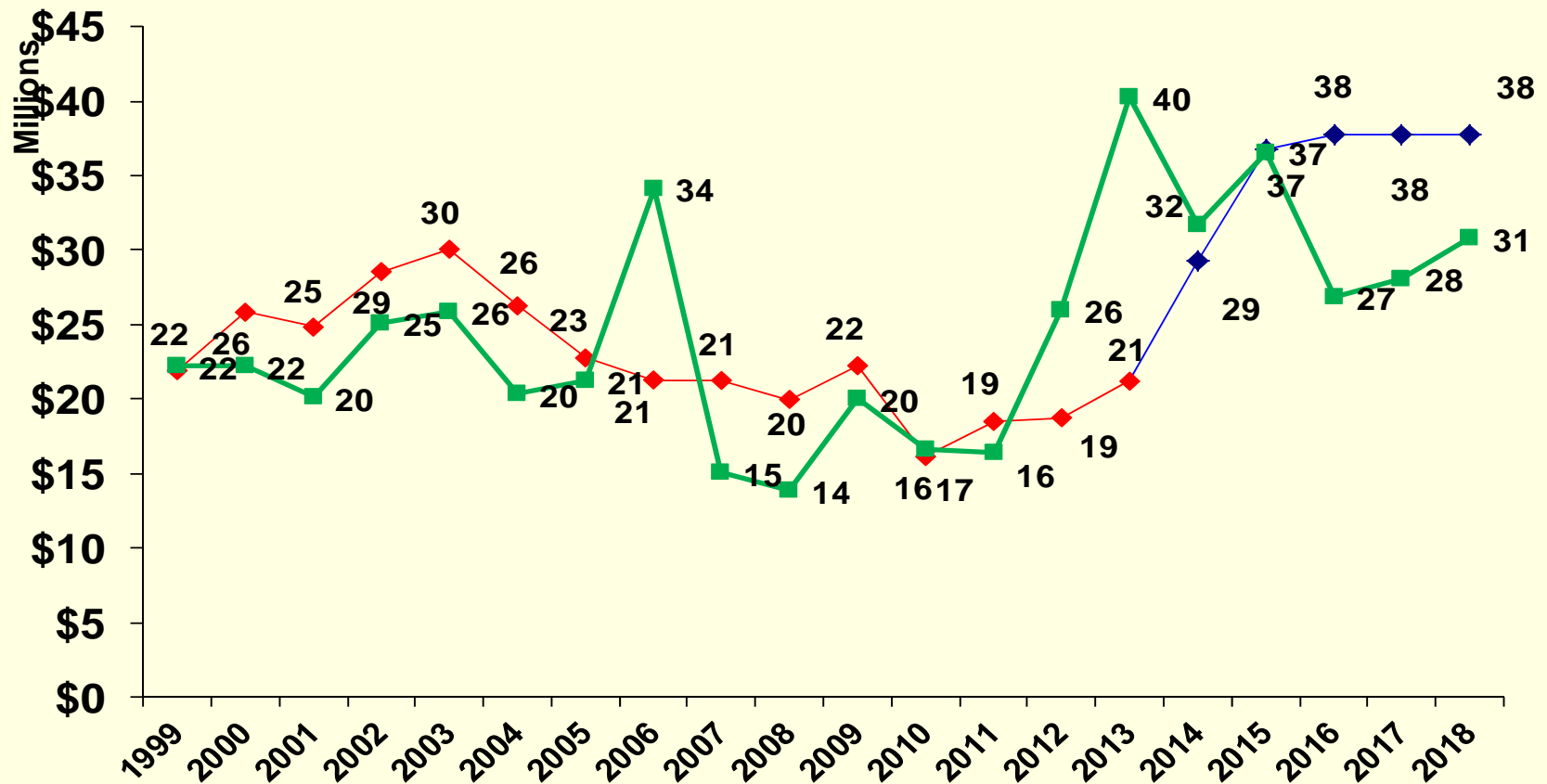
\$120.6 M – pg. D16



Mayor's NDB Increase

- For 2014 – 2018 - \$16.35 million of NDB added
- For 2014 - \$2.115 million added
- Asphalt Resurfacing - \$300 K
- Development Infrastructure - \$702 K
- Traffic Safety Improvements - \$50 K
- Pedestrian Level Lighting - \$500 K
- Dinkytown Greenway Connection - \$275 K
- 29th St W Pedestrian Connection - \$350 K
- N/NE Bikeway Bridge Connection - \$50 K
- More details can be seen on pages D41- D50

Bond Redemption Levy 1999 – 2018



Adopted Levy

Projected Levy

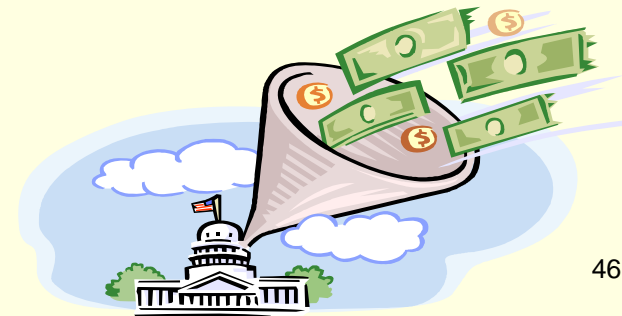
Net Debt Spending

45

•Per Mayor's Recommended Five-Year Financial Direction with other tax supported budget demands

2014 Property Tax Supported CIP (Net Debt Bond Allocation) - pg. D19

Commission/Board/Department	Mayor's Allocation
Municipal Building Commission	\$1.00 M
Park Board	\$2.50 M
Public Works	\$20.62 M
Information Technology Projects	\$2.05 M
Public Grounds & Facilities	\$3.86 M
Miscellaneous Projects	\$1.69 M
Total	\$31.72 M



2014 Non-Property Tax Supported CIP

- pg. D16

Funding Source Description	Mayor's Allocation
Municipal State Aid	\$8.40 M
Assessments	\$10.69 M
Parking Fund	\$1.70 M
Sanitary Sewer Fund	\$7.00 M
Stormwater Fund	\$15.50 M
Water Fund	\$20.10 M
Other	\$25.49 M
Total	\$88.88 M

2014 - 2018 CIP

Municipal Building Commission

\$4.6 M - pg. D20

Project	Mayor's 2014	Mayor's 5 yr
Life Safety Improvements	\$0.22 M	\$0.86 M
Mechanical Systems Upgrade	\$0.58 M	\$2.22 M
MBC Elevators	\$0.20 M	\$0.20 M
Critical Power Capital Project	\$0.00 M	\$0.00 M
Exterior Improvements	\$0.00 M	\$1.33 M
Restoration of Historic Reception Room	\$0.00 M	\$0.00 M
Total MBC	\$1.00 M	\$4.61 M



2014 - 2018 CIP Park Board \$26.8 M – pg. D20

Projects	Mayor's 2014	Mayor's 5 yr
Recreation Center and Site Improvements Program	\$0.0 M	\$0.5 M
Playground and Site Improvements Program	\$0.8 M	\$5.1 M
Shelter – Pool – Site Improvements Program	\$2.0 M	\$4.5 M
Athletic Fields and Site Improvements Program	\$1.1 M	\$1.4 M
Service Area Improvement Program	\$0.0 M	\$1.5 M
Bossen Park Field Improvements	\$0.0 M	\$3.8 M
Bryn Mawr Meadows Field Improvements	\$0.0 M	\$0.0 M
Neighborhood Parks Capital Infrastructure	\$1.8 M	\$8.5 M
Diseased Tree Removal	\$0.3 M	\$1.5 M
Total	\$6.0 M	\$26.8 M



2014 - 2018 CIP

Public Works Department

\$514.4 M – pg. D20 - D21

The top ten total \$225.2 M or 44% of the five-year Public Works capital program

Top Ten PW Projects in the 5-Year CIP Program	Mayor's 2014	Mayor's 5 yr
Storm Drains and Tunnels Rehabilitation Program	\$10.2 M	\$47.2 M
Fridley Filter Plant Rehabilitation	\$4.0 M	\$37.0 M
Water Distribution Improvements	\$6.6 M	\$34.0 M
Sanitary Tunnel & Sewer Rehabilitation Program	\$4.0 M	\$19.3 M
Defective Hazardous Sidewalks	\$3.4 M	\$18.4 M
Treatment Infrastructure Improvements	\$5.0 M	\$18.0 M
Flood Mitigation with Alternative Stormwater Mgmt	\$2.0 M	\$14.0 M
Infiltration & Inflow Removal Program	\$3.0 M	\$13.5 M
CSAH & MnDOT Cooperative Projects	\$2.5 M	\$12.3 M
10 th Ave SE Bridge Arch Rehabilitation	\$11.5 M	\$11.5 M
Total	\$52.2 M	\$225.2 M

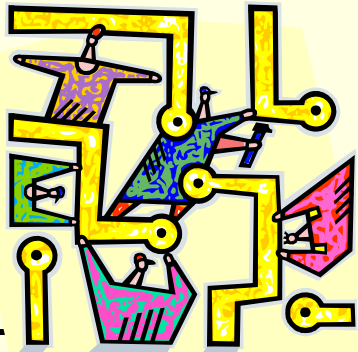


2014 - 2018 CIP

Information Technology Projects

\$10.65 M – pg. D21- D22

Project	Mayor's 2014	Mayor's 5 yr
Enterprise Content Management	\$0.30 M	\$1.50 M
Enterprise Infrastructure Modernization	\$0.75 M	\$3.95 M
Geographical Information System (GIS)	\$0.00 M	\$0.00 M
Police Report Management System Upgrade	\$1.00 M	\$5.00 M
Minneapolis Information Commons	\$0.00 M	\$0.20 M
Managed Services	\$0.00 M	\$0.00 M
Total	\$2.05 M	\$10.65 M



2014 - 2018 CIP

Public Grounds & Facilities

\$26.82 M – pg. D22

Project	Mayor's 2014	Mayor's 5 yr
City Property Reforestation	\$0.15 M	\$0.60 M
ADA Facility Assessments	\$0.10 M	\$.10 M
New Fire Station No. 11	\$0.00 M	\$5.73 M
Fire Station No. 1 Renovation & Expansion	\$0.00 M	\$3.00 M
Hamilton School Acquisition & Facility Improvement	\$1.00 M	\$4.00 M
Facilities – Repair and Improvements	\$1.12 M	\$6.69 M
Facilities – Space Improvements	\$1.00 M	\$4.00 M
Energy Conservation and Emission Reduction	\$0.25 M	\$2.25 M
Pioneers & Soldiers Cemetery Fencing – Phase II	\$0.45 M	\$0.45 M
Traffic Maintenance Facility Improvement	\$0.00 M	\$0.00 M
Farmer's Market Improvements	\$0.00 M	\$0.00 M
Solid Waste & Recycling Facility Improvements	\$0.00 M	\$0.00 M
Totals	\$4.07 M	\$26.82 M



2014 - 2018 CIP Miscellaneous Projects \$10.16 M – pg. D22

Project	Mayor's 2014	Mayor's 5 yr
311 Systems Refresh	\$0.23 M	\$0.23 M
911 Telephone System Replacement	\$0.98 M	\$1.95 M
Art in Public Places	\$0.48 M	\$2.32 M
Public Safety Radio System Replacement	\$0.00 M	\$5.66 M
Totals	\$1.69 M	\$10.16 M

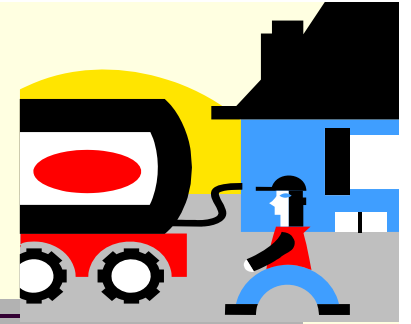
2014 Utility Rates

- Public Works Enterprises
 - Sanitary Sewer
 - Stormwater
 - Water
 - Solid Waste

Mayor's Recommended 2014 Budget

Sanitary Sewer Utility Rates

Average Bills and Revenue



Recommended Rates for Average Households

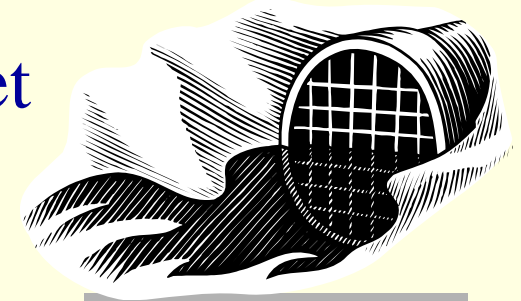
Year	Fixed Rate	2014 Proposed Rate per unit (100 Cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2013	\$3.00	\$3.14		\$21.84
2014	\$3.40	\$3.21	2.2 %	\$22.66
2015	\$3.80	\$3.28	2.2 %	\$23.48
2016	\$4.20	\$3.35	2.1 %	\$24.30
2017	\$4.60	\$3.42	2.1 %	\$25.12
2018	\$5.00	\$3.49	2.0 %	\$25.94

*** Assumes 5/8" meter and 6 units of Sanitary Sewer usage – pg D31**

Mayor's Recommended 2014 Budget

Stormwater Rates

Average Bills and Revenue



Recommended Rates for Average Households			
Year	Rate / ESU (Equivalent Stormwater Unit) = 1,530 square feet of impervious surface	Cost per Month for average household*	% increase
2013	\$11.82	\$11.82	
2014	\$11.94	\$11.94	1.0 %
2015	\$12.06	\$12.06	1.0 %
2016	\$12.18	\$12.18	1.0 %
2017	\$12.30	\$12.30	1.0 %
2018	\$12.52	\$12.52	1.8 %

* Average household is 1 ESU – pg D31



Mayor's Recommended 2014 Budget

Water Utility Rates

Monthly Cost for Average Consumer

Recommended Rates for Average Households

Year	Fixed Rate	2014 Proposed Rate per unit (100 cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2013	\$2.00	\$3.29		\$25.03
2014	\$2.50	\$3.32	0.9 %	\$25.74
2015	\$3.00	\$3.37	1.5 %	\$26.59
2016	\$3.50	\$3.42	1.5 %	\$27.44
2017	\$4.00	\$3.47	1.5 %	\$28.29
2018	\$4.50	\$3.52	1.4 %	\$29.14

*** Assumes 5/8" meter connection and 7 units of water – pg D30**

Mayor's Recommended 2014 Budget
 Combined Utility Bill
Monthly Cost for Average Consumer
pg. D31



Year	2013	2014 Recomm.	Dollar Change	Percent Change*
Sanitary Sewer	\$21.84	\$22.66	\$0.82	3.8%
Stormwater	\$11.82	\$11.94	\$0.12	1.0%
Water	\$25.03	\$25.74	\$0.71	2.8%
Solid Waste	\$22.00	\$22.60	\$0.60	2.7%
Total	\$80.69	\$82.94	\$2.25	2.8%

* Assumes average usage and no changes in fixed based fees

Operating Cost Implications

- Estimated for all capital proposals but not added to or subtracted from Operating Budgets
- CLIC Proposals score best when they save on operating costs after a capital expenditure
- Challenging to accurately estimate
- Departments manage operating cost implications within existing operating budgets
- System rewards maintaining existing infrastructure versus creating new, especially when there are no new revenue sources to cover operating cost increases

2013 Important Budget Dates

- November 19, 6:05 p.m. Public Comment on Levy and Budget
- December 11, 6:05 p.m. Public Comment on Budget and Budget Adoption for 2014

Questions/Conclusions?

If you have any follow up questions, contact:

Michael Abeln

Director of Capital & Debt Management

“The Debt Guy”

at 612-673-3496

Thanks for your participation!